



Public-Private Partnerships Study Committee

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Forms of Public Private Partnership Financings in NC

- ▶ Basic Forms of Public Private Partnership Financings in NC
 - Governments invest in infrastructure to encourage economic development
 - Streets, sidewalks, utilities, transportation
 - Governments enable private companies to issue tax exempt debt
 - For certain public purposes and industrial projects

Governments Invest in Infrastructure to Encourage Economic Development

- ▶ Typically financed in the following ways
 - General Obligation Bonds
 - COPS
 - TIFs
 - Synthetic TIFs (COPS)
- ▶ Special Assessment District Revenue Bonds
 - Local unit issues debt
 - Developer/owner pays off debt through annual assessments
 - None yet issued
 - Defaults in other states
 - Typically not investment grade
 - Higher borrowing costs

Governments Enable Private Entities to Borrow at Tax Exempt Rates

- ▶ Debt Issued by Government Entity, repayment by a private entity
- ▶ Issuers:
 - County Industrial Facilities and Pollution Control Financing Authorities
 - NC Capital Facilities Financing Agency
 - NC Medical Care Commission
- ▶ Borrowers
 - Power and solid waste companies
 - Private schools and colleges, charter schools
 - Private hospitals and retirement communities
 - College foundations

Governments Enable Private Entities to Borrow at Tax Exempt Rates

- ▶ Types of Projects:
 - Pollution control for power plants
 - Manufacturing facilities
 - Solid waste facilities
 - Medical facilities
 - Retirement communities
 - Class rooms and dorms
 - Sports and entertainment facilities

Private Entity Incurs Debt, Government Buys Asset

- ▶ Advantages possibly in Procurement/Operations
 - May not be subject to bid laws, retirement and healthcare
 - Must ensure building quality standards are met
- ▶ Disadvantages
 - Private companies can not access the tax exempt debt market
 - Higher costs of borrowing must be passed on to the government
 - May weaken centralized controls over incurring obligations
 - Viewed as a lease or availability payment
 - Still an obligation of the government, commits resources

Private Entity Incurs Debt, Government Buys Asset

► Examples:

- I485 NCDOT project in Charlotte
 - Contractor carries State debt for several years
 - Agency decided to incur obligation
 - Impacts debt capacity
- Private Companies constructed State prisons in NC
 - Debt was retired by issuing tax exempt State debt
- Build to suit Capital Lease for Schools (GS 115C-532)
 - Has not been used
 - Counties could not demonstrate savings over traditional tax exempt financings
 - Will be repealed as of 7/1/11
 - Private entity builds the school, but subject to bidding laws
 - Although private builder was eligible for tax credits, could not overcome higher financing costs